

Message Text

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62

ACTION EA-14

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 USIA-15 PRS-01

DRC-01 /163 W

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R 020220Z MAY 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8001

INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 1369

E.O. 11652: N/A

TAGS: ENRG, NZ

SUBJ: GASOLINE AND OTHER PRICE INCREASES INCREASE

INFLATIONARY PRESSURES

REF: WELLINGTON 1248

1. GASOLINE ROSE ONE CENT NZ PER GALLON MID-NIGHT MAY 1. THIS WAS TO COMPENSATE RETAILERS FOR THEIR REDUCED PROFIT MARGIN RESULTING FROM LAST TWO PRICE INCREASES.

2. FOLLOWING LAST PRICE JUMPS (REFTEL) RETAILERS THREATENED SHUT DOWNS. SOME DID CLOSE TEMPORARILY. THEY DEMANDED AN INCREASE OF ABOUT 2 CENTS PER GALLON FOR THEIR SHARE. MINISTER OF TRADE AND INDUSTRY AGREED TO PARLY. WITH A ONE CENT RISE RETAILERS NOW GET 6.24 CENTS PER GALLON (ABOUT 11 CENTS US PER US GALLON) AS THEIR SHARE.

3. TO MINIMIZE CRITICISM OF CONSUMING PUBLIC-

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AND FURTHER ASSUAGE GAS REAILERS THE BAN ON WEEKEND

GAS SALES WAS LIFTED SIMULTANEOUSLY.

4. THE GOVERNMENT ALSO AUTHORIZED AN INCREASE IN THE WHOLESALE PRICE OF FISH OF 2 CENTS PER POUND TO COVER INCREASED DIESEL FUEL COSTS TO FISHERMEN.

5. A RECENTLY RELEASED REPORT OF A SPECIAL COMITE ADVOCATES A RETAIL MILK PRICE INCREASE TO REDUCE THE ANNUAL DOLS NZ 42 MILLION MILK SUBSIDY. DELIVERED MILK HAS SOLD FOR 4 CENTS PER PINT FOR THE PAST 20 YEARS. IT IS CALCULATED THAT TO ELIMINATE THE SUBSIDY THE COST WOULD HAVE TO RISE TO NZ10 CENTS PER PINT. THOUGH THERE WILL BE MUCH DISCUSSION BEFORE A GOVERNMENT DECISION MIGHT BE REACHED ON THE REPORT, ON THE BASIS OF PRESENT TRENDS, IT COULD WELL BE THAT AN INCREASE WILL BE AUTHORIZED, PROBABLY LESS THAN 6 CENTS PER PINT. FOR EACH CENT INCREASE, IT IS CALCULATED THAT THE CPI WILL INCREASE .27 PER CENT.

COMMENT: THE APPARENT RELATIVE EASE WITH WHICH THE GOVERNMENT HAS GIVEN IN TO WAGE AND PRICES RISES HAS GENERATED GROWING TALK AND CONCERN ABOUT A GNZ RESIGNATION TO A FAIRLY HIGH RATE OF INFLATION. RESPONSIBLE ANALYSTS ARE BANDYING AROUND A POSSIBLE INFLATION FOR 1974 AS HIGH AS SIXTEEN PER CENT.
SELDEN

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Message Attributes

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